

Message Text

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ACTION EUR-12

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MIL ADDEES FOR POLADS

E.O. 11652:
TAGS: PINT GW
SUBJ: TAX CONTROVERSY THREATENS NRW GOVERNMENT COALITION

REF: DUSSELDORF 1359

1. BEGIN SUMMARY: SPD OPPOSITION TO THE ABOLITION OF THE
PAY ROLL TAX AND SPD DISTRICT OPPOSITION TO INEQUITIES IN
PROPOSED INCOME TAX REFORM, HAS CAUSED NRW/FDP CHAIRMAN
AND MINISTER OF ECONOMICS, RIEMER, TO THREATEN TO WITHHOLD
THE VOTES OF THE 14 FDP LANDTAG DEPUTIES WHEN A SUCCESSOR
TO RETIRING MINISTER PRESIDENT KUEHN IS UP FOR ELECTION
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ON SEPTEMBER 20, 1978. THE PROPOSED ABOLITION OF THE PAY
ROLL TAX HAS AROUSED A STORM OF OUTRAGE IN SPD CIRCLES
IN THE RHINE/RUHR AREA. SPD BUNDESTAG DEPUTIES FROM
THE AREA, NORMALLY STAUNCH SUPPORTERS OF CHANCELLOR
SCHMIDT, ANNOUNCED THAT THEY WOULD VOTE AGAINST THE
GOVERNMENT'S TAX REFORM PACKAGE IF IT INCLUDED THE
ABOLITION OF THE PAY ROLL TAX. END SUMMARY.

2. THE PROTESTS OF THE THINE/RUHR SPD LORD MAYORS AGAINST THE ABOLITION OF THE PAY ROLL TAX, A MAJOR SOURCE OF MUNICIPAL INCOME, AS PART OF THE FEDERAL GORERNMENT'S TAX REFORM PACKAGE (SEE REFTEL) WAS FOLLOWED UP BY SHARP CRITICISM FROM OTHER SPD SOURCES OF THE INCOME TAX REFORM CONTAINED IN THE PACKAGE. HANS-OTTO BAEUMER, NORTH RHINE-WESTPHALIAN (NRW) LANDTAG DEPUTY AND CHAIRMAN OF THE LOWER RHINE DISTRICT OF THE SPD, AND GUENTER SCHLATTER, HEAD OF THE MIDDLE RHINE DISTRICT OF THE SPD CALLED THE INCOME TAX "UNSOCIAL" BECAUSE IT FAVORED HIGHER INCOME EARNERS MORE THAN LOW INCOME EARNERS. (COMMENT: PERCENTAGE WISE THE PROPOSED REFORM MEANS A RELIEF OF 11 PERCENT IN THE LOWER AND 6 PERCENT IN THE HIGHER INCOME BRACKETS). THIS CAUSED NRW/FDP LAND CHAIRMAN AND NRW MINISTER OF ECONOMICS AND TRANSPORT, DR. HORST-LUDWIG RIEMER, TO CALL UPON THE SPD TO ADHERE TO THE TAX REFORM RESOLUTIONS OF THE FEDERAL GOVERNMENT, INCLUDING THE ABOLITION OF THE PAY ROLL TAX. RIEMER HINTED THAT AT THE MINISTER PRESIDENT ELECTION SCHEDLULED FOR SEPTEMBER 20, 2978 THE SPD CANDIDATE COULD NOT COUNT ON THE VOTES OF THE 14 FDP DEPUTIES, UNLESS HE CLEARLY STATED HIS ADHERENCE TO THE BONN TAX REFORM PROGRAM IN ADVANCE.

3. SEVERAL SPD BUNDESTAG DEPUTIES FROM THE RHINE/ RUHR AREA HAVE ALREADY INDICATED THAT THEY WILL LIMITED OFFICIAL USE

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VOTE AGAINST THE PROPOSED TAX REFORM PACKAGE IN THE BUNDESTAG AS LONG AS IT CONTAINS THE ABOLITION OF THE PAY ROLL TAX. AT THIS TIME IT CANNOT BE PREDICTED WHETHER THEY ARE PREPARED TO CHANGE THEIR MINDS IF ADEQUATE AND SATISFACTORY ALTERNATE SOURCES OF CITY REVENUES CAN BE FOUND. THEY ARE LESS CONCERNED ABOUT THE INEQUITABLE TAX RELIEF WHICH BAEUMER AND SCHLATTER COMPLAINED ABOUT.

4. COMMENTS: REIMER'S THREAT PUTS THE CANDIDATE FOR THE JOB OF NRW GOVERNMENT CHIEF ON THE SPOT. NRW FINANCE MINISTER, DR. DIETHER POSSER, WAS THE FIRST PROMINENT SPD POLITICIAN TO OBJECT TO THE ABOLITION OF THE PAY ROLL TAX AND WAS SUBSEQUENTLY FOLLOWED BY HIS COMPETITOR, NRW/SPD CHAIRMAN AND MINISTER OF SCIENCE AND RESEARCH, JOHANNES RAU. NO CSANDIDATE WOULD STAND A CHANCE TO BE ELECTED BY HIS PARTY IF HE ADVOCATED THE ABOLITION WITHOUT A SATISFACTORY ALTERNATIVE. ON THE OTHER HAND RIEMER IS AWARE THAT THE FDP IS IN A KEY POSITION IN NRW AND THAT NOTHING WILL MOVE IN NRW WITHOUT THE FDP. POSSER AND RAU KNOW THAT TOO, BUT ALSO THAT THE FDP IS FIGHTING FOR POLITICAL SURVIVAL. A POSSIBILITY , NOT

YET ENVISAGED, WOULD BE TO POSTPONE THE ELECTION BECAUSE
THE PRESENT INCUMBENT, ALTHOUGH RECUPERATING FROM AN
APPENDECTOMY, IS STILL IN OFFICE AND HAS NOT FORMALLY
RESIGNED. IF A SUCCESSOR CANNOT BE ELECTED BECAUSE OF
FDP ABSTENTION KUEHN CAN AND WILL REMAIN IN OFFICE. THE
CDU CANNOT ELECT ITS MAN WITHOUT THE FDP BECAUSE IT
WOULD NOT HAVE A MAJORITY OF VOTES. A PLURALITY IS NOT
SUFFICIENT. THERE IS GROWING IRRITATION IN NRW/SPD
CIRCLES ABOUT THE FDP TAIL CONSTANTLY WAGGING THE SPD
DOG ESPECIALLY IN ECONNOMIC AND FISCAL MATTERS.DUX

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